

A bill for an act

relating to retirement; specifying a new process for computing Teachers Retirement Association service credit; authorizing deduction of other benefits received from Teachers Retirement Association refunds; expanding postretirement option program eligibility to include all state employees with Public Employees Retirement Association coverage; revising Public Employees Retirement Association erroneous receipts provision to provide interest on employee contribution overpayments; creating Teachers Retirement Association full actuarial value uncredited military service provision; making administrative revisions and technical corrections in various retirement provisions; amending Minnesota Statutes 2008, sections 43A.346, subdivisions 2, 6; 352B.02, subdivisions 1a, 1c; 353.01, subdivision 16; 353.0161, subdivision 1; 353.27, subdivisions 2, 3, 7; 353.33, subdivisions 1, 11, 12, by adding a subdivision; 353.65, subdivisions 2, 3; 353A.08, subdivision 6a; 354.05, by adding subdivisions; 354.091; 354.42, subdivision 2; 354.44, subdivisions 4, 5; 354.47, subdivision 1; 354.48, subdivisions 4, 6; 354.49, subdivision 2; 354.52, subdivisions 2a, 4b, 6, by adding a subdivision; 354.55, subdivision 11; 354.66, subdivision 3; 354A.096; 354A.12, subdivision 2a, by adding a subdivision; 354A.36, subdivision 6; 356.401, subdivision 2; 356.465, subdivision 1, by adding a subdivision; 356.611, subdivisions 3, 4; 356.635, subdivisions 6, 7; 356.96, subdivision 5; proposing coding for new law in Minnesota Statutes, chapter 354; repealing Minnesota Statutes 2008, sections 354.06, subdivision 6; 354.55, subdivision 14.

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MINNESOTA:

Section 1. Minnesota Statutes 2008, section 43A.346, subdivision 2, is amended to read:

Subd. 2. **Eligibility.** (a) This section applies to a terminated state employee who:

(1) for at least the five years immediately preceding separation under clause (2), was regularly scheduled to work 1,044 or more hours per year in a position covered by a pension plan administered by the Minnesota State Retirement System or the Public Employees Retirement Association;

(2) terminated state or Metropolitan Council employment;

(3) at the time of termination under clause (2), met the age and service requirements necessary to receive an unreduced retirement annuity from the plan and satisfied requirements for the commencement of the retirement annuity or, for a terminated employee under the unclassified employees retirement plan, met the age and service requirements necessary to receive an unreduced retirement annuity from the plan and satisfied requirements for the commencement of the retirement annuity or elected a lump-sum payment; and

(4) agrees to accept a postretirement option position with the same or a different appointing authority, working a reduced schedule that is both (i) a reduction of at least 25 percent from the employee's number of previously regularly scheduled work hours; and (ii) 1,044 hours or less in state or Metropolitan Council service.

(b) For purposes of this section, an unreduced retirement annuity includes a retirement annuity computed under a provision of law which permits retirement, without application of an earlier retirement reduction factor, whenever age plus years of allowable service total at least 90.

(c) For purposes of this section, as it applies to ~~staff~~ state employees who are members of the Public Employees Retirement Association who are at least age 62, the length of separation requirement and termination of service requirement prohibiting return to work agreements under section 353.01, subdivisions 11a and 28, are not applicable.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 2. Minnesota Statutes 2008, section 43A.346, subdivision 6, is amended to read:

Subd. 6. **Duration.** Postretirement option employment shall be for an initial period not to exceed one year. During that period, the appointing authority may not modify the conditions specified in the written offer without the person's consent, except as required by law or by the collective bargaining agreement or compensation plan applicable to the person. At the end of the initial period, the appointing authority has sole discretion to determine if the offer of a postretirement option position will be renewed, renewed with modifications, or terminated. ~~If the person is under age 62, an offer of renewal and any related verbal offer or agreement must not be made until at least 30 days after termination of the person's previous postretirement option employment.~~ Postretirement option employment may be renewed for periods of up to one year, not to exceed a total duration of five years. No person shall be employed in one or a combination of postretirement option positions under this section for a total of more than five years.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 3. Minnesota Statutes 2008, section 352B.02, subdivision 1a, is amended to read:

Subd. 1a. **Member contributions.** (a) ~~Each~~ The member shall pay a sum equal to the following contribution is 10.40 percent of the member's salary, which constitutes the member contribution to the fund:

before July 1, 2007	8.40
from July 1, 2007, to June 30, 2008	9.10
from July 1, 2008, to June 30, 2009	9.80
from July 1, 2009, and thereafter	10.40

(b) These contributions must be made by deduction from salary as provided in section 352.04, subdivision 4.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 4. Minnesota Statutes 2008, section 352B.02, subdivision 1c, is amended to read:

Subd. 1c. **Employer contributions.** (a) In addition to member contributions, department heads shall pay a sum equal to the following 15.60 percent of the salary upon which deductions were made, which shall constitute the employer contribution to the fund:

before July 1, 2007	12.60
from July 1, 2007, to June 30, 2008	13.60
from July 1, 2008, to June 30, 2009	14.60
from July 1, 2009, and thereafter	15.60

(b) Department contributions must be paid out of money appropriated to departments for this purpose.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 5. Minnesota Statutes 2008, section 353.01, subdivision 16, is amended to read:

Subd. 16. **Allowable service; limits and computation.** (a) "Allowable service" means:

(1) service during years of actual membership in the course of which employee deductions were withheld from salary and contributions were made, at the applicable rates under section 353.27, 353.65, or 353E.03;

(2) periods of service covered by payments in lieu of salary deductions under section 353.27, subdivision 12, and 353.35;

~~(2)~~ (3) service in years during which the public employee was not a member but for which the member later elected, while a member, to obtain credit by making payments to the fund as permitted by any law then in effect;

~~(3)~~ (4) a period of authorized leave of absence with pay from which deductions for employee contributions are made, deposited, and credited to the fund;

~~(4)~~ (5) a period of authorized personal, parental, or medical leave of absence without pay, including a leave of absence covered under the federal Family Medical Leave Act, that does not exceed one year, and for which a member obtained service credit for each month in the leave period by payment under section 353.0161 to the fund made in place of salary deductions. An employee must return to public service and render a minimum of three months of allowable service in order to be eligible to make payment under section 353.0161 for a subsequent authorized leave of absence without pay. Upon payment, the employee must be granted allowable service credit for the purchased period;

~~(5)~~ (6) a periodic, repetitive leave that is offered to all employees of a governmental subdivision. The leave program may not exceed 208 hours per annual normal work cycle as certified to the association by the employer. A participating member obtains service credit by making employee contributions in an amount or amounts based on the member's average salary that would have been paid if the leave had not been taken. The employer shall pay the employer and additional employer contributions on behalf of the participating member. The employee and the employer are responsible to pay interest on their respective shares at the rate of 8.5 percent a year, compounded annually, from the end of the normal cycle until full payment is made. An employer shall also make the employer and additional employer contributions, plus 8.5 percent interest, compounded annually, on behalf of an employee who makes employee contributions but terminates public service. The employee contributions must be made within one year after the end of the annual normal working cycle or within ~~20~~ 30 days after termination of public service, whichever is sooner. The executive director shall prescribe the manner and forms to be used by a governmental subdivision in administering a periodic, repetitive leave. Upon payment, the member must be granted allowable service credit for the purchased period;

~~(6)~~ (7) an authorized temporary or seasonal layoff under subdivision 12, limited to three months allowable service per authorized temporary or seasonal layoff in one calendar year. An employee who has received the maximum service credit allowed for an authorized temporary or seasonal layoff must return to public service and must obtain a minimum of three months of allowable service subsequent to the layoff in order to receive allowable service for a subsequent authorized temporary or seasonal layoff; ~~or~~

~~(7)~~ (8) a period during which a member is absent from employment by a governmental subdivision by reason of service in the uniformed services, as defined in United States Code, title 38, section 4303(13), if the member returns to public service with the same governmental subdivision upon discharge from service in the uniformed service

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within the time frames required under United States Code, title 38, section 4312(e), provided that the member did not separate from uniformed service with a dishonorable or bad conduct discharge or under other than honorable conditions. The service is credited if the member pays into the fund equivalent employee contributions based upon the contribution rate or rates in effect at the time that the uniformed service was performed multiplied by the full and fractional years being purchased and applied to the annual salary rate. The annual salary rate is the average annual salary during the purchase period that the member would have received if the member had continued to be employed in covered employment rather than to provide uniformed service, or, if the determination of that rate is not reasonably certain, the annual salary rate is the member's average salary rate during the 12-month period of covered employment rendered immediately preceding the period of the uniformed service. Payment of the member equivalent contributions must be made during a period that begins with the date on which the individual returns to public employment and that is three times the length of the military leave period, or within five years of the date of discharge from the military service, whichever is less. If the determined payment period is less than one year, the contributions required under this clause to receive service credit may be made within one year of the discharge date. Payment may not be accepted following ~~20~~ 30 days after termination of public service under subdivision 11a. If the member equivalent contributions provided for in this clause are not paid in full, the member's allowable service credit must be prorated by multiplying the full and fractional number of years of uniformed service eligible for purchase by the ratio obtained by dividing the total member contributions received by the total member contributions otherwise required under this clause. The equivalent employer contribution, and, if applicable, the equivalent additional employer contribution must be paid by the governmental subdivision employing the member if the member makes the equivalent employee contributions. The employer payments must be made from funds available to the employing unit, using the employer and additional employer contribution rate or rates in effect at the time that the uniformed service was performed, applied to the same annual salary rate or rates used to compute the equivalent member contribution. The governmental subdivision involved may appropriate money for those payments. The amount of service credit obtainable under this section may not exceed five years unless a longer purchase period is required under United States Code, title 38, section 4312. The employing unit shall pay interest on all equivalent member and employer contribution amounts payable under this clause. Interest must be computed at a rate of 8.5 percent compounded annually from the end of each fiscal year of the leave or the break in service

to the end of the month in which the payment is received. Upon payment, the employee must be granted allowable service credit for the purchased period; or

(9) a period specified under subdivision 40.

(b) For calculating benefits under sections 353.30, 353.31, 353.32, and 353.33 for state officers and employees displaced by the Community Corrections Act, chapter 401, and transferred into county service under section 401.04, "allowable service" means the combined years of allowable service as defined in paragraph (a), clauses (1) to (6), and section 352.01, subdivision 11.

(c) For a public employee who has prior service covered by a local police or firefighters relief association that has consolidated with the Public Employees Retirement Association or to which section 353.665 applies, and who has elected the type of benefit coverage provided by the public employees police and fire fund either under section 353A.08 following the consolidation or under section 353.665, subdivision 4, "applicable service" is a period of service credited by the local police or firefighters relief association as of the effective date of the consolidation based on law and on bylaw provisions governing the relief association on the date of the initiation of the consolidation procedure.

(d) No member may receive more than 12 months of allowable service credit in a year either for vesting purposes or for benefit calculation purposes.

(e) MS 2002 [Expired]

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 6. Minnesota Statutes 2008, section 353.0161, subdivision 1, is amended to read:

Subdivision 1. **Application.** This section applies to employees covered by any plan specified in this chapter or chapter 353E for any period of authorized leave of absence specified in section 353.01, subdivision 16, paragraph (a), clause ~~(4)~~ (5), for which the employee obtains credit for allowable service by making payment as specified in this section to the applicable fund.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 7. Minnesota Statutes 2008, section 353.27, subdivision 2, is amended to read:

Subd. 2. **Employee contribution.** (a) For a basic member, the employee contribution is the following applicable percentage of the total 9.10 percent of salary amount for a "basic member" and. For a ~~"coordinated member"~~ coordinated member, the employee contribution is six percent of salary plus any contribution rate adjustment under subdivision 3b.

7.1		Basic Program	Coordinated Program
7.2	Effective before January 1, 2006	9.10	5.10
7.3	Effective January 1, 2006	9.10	5.50
7.4	Effective January 1, 2007	9.10	5.75
7.5	Effective January 1, 2008	9.10	6.00 plus any contribution
7.6			rate adjustment under
7.7			subdivision 3b

7.8 (b) These contributions must be made by deduction from salary as defined in section
7.9 353.01, subdivision 10, in the manner provided in subdivision 4. If any portion of a
7.10 member's salary is paid from other than public funds, the member's employee contribution
7.11 must be based on the total salary received by the member from all sources.

7.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.13 Sec. 8. Minnesota Statutes 2008, section 353.27, subdivision 3, is amended to read:

7.14 Subd. 3. **Employer contribution.** (a) For a basic member, the employer
7.15 contribution is the following applicable percentage of the total 9.10 percent of salary
7.16 amount for "basic members" and. For "coordinated members": a coordinated member,
7.17 the employer contribution is six percent of salary plus any contribution rate adjustment
7.18 under subdivision 3b.

7.19		Basic Program	Coordinated Program
7.20	Effective before January 1, 2006	9.10	5.10
7.21	Effective January 1, 2006	9.10	5.50
7.22	Effective January 1, 2007	9.10	5.75
7.23	Effective January 1, 2008	9.10	6.00 plus any contribution
7.24			rate adjustment under
7.25			subdivision 3b

7.26 (b) This contribution must be made from funds available to the employing
7.27 subdivision by the means and in the manner provided in section 353.28.

7.28 **EFFECTIVE DATE.** This section is effective the day following final enactment.

7.29 Sec. 9. Minnesota Statutes 2008, section 353.27, subdivision 7, is amended to read:

7.30 Subd. 7. **Adjustment for erroneous receipts or disbursements.** (a) Except
7.31 as provided in paragraph (b), erroneous employee deductions and erroneous employer
7.32 contributions and additional employer contributions for a person, who otherwise does not
7.33 qualify for membership under this chapter, are considered:

7.34 (1) valid if the initial erroneous deduction began before January 1, 1990. Upon
7.35 determination of the error by the association, the person may continue membership in the

association while employed in the same position for which erroneous deductions were taken, or file a written election to terminate membership and apply for a refund upon termination of public service or defer an annuity under section 353.34; or

(2) invalid, if the initial erroneous employee deduction began on or after January 1, 1990. Upon determination of the error, the association shall refund all erroneous employee deductions and all erroneous employer contributions as specified in paragraph (d). No person may claim a right to continued or past membership in the association based on erroneous deductions which began on or after January 1, 1990.

(b) Erroneous deductions taken from the salary of a person who did not qualify for membership in the association by virtue of concurrent employment before July 1, 1978, which required contributions to another retirement fund or relief association established for the benefit of officers and employees of a governmental subdivision, are invalid. Upon discovery of the error, the association shall remove all invalid service and, upon termination of public service, the association shall refund all erroneous employee deductions to the person, with interest as determined under section 353.34, subdivision 2, and all erroneous employer contributions without interest to the employer. This paragraph has both retroactive and prospective application.

(c) Employer contributions and employee deductions taken in error from amounts which are not salary under section 353.01, subdivision 10, are invalid upon discovery by the association and must be refunded as specified in paragraph (d).

(d) Upon discovery of the receipt of erroneous deductions and contributions under paragraph (a), clause (2), or paragraph (c), the association must require the employer to discontinue the erroneous employee deductions and erroneous employer contributions. Upon discontinuation, the association either must refund the invalid employee deductions to the person ~~without~~ with interest as determined under section 353.34, subdivision 2, and the invalid employer contributions without interest to the employer or provide a credit against future contributions payable by the employer for the amount of all erroneous deductions and contributions. If the employing unit receives a credit under this paragraph, the employing unit is responsible for refunding to the applicable employee any amount that had been erroneously deducted from the person's salary, with interest as specified in this paragraph. In the event that a retirement annuity or disability benefit has been computed using invalid service or salary, the association must adjust the annuity or benefit and recover any overpayment under subdivision 7b.

(e) In the event that a salary warrant or check from which a deduction for the retirement fund was taken has been canceled or the amount of the warrant or check returned to the funds of the department making the payment, a refund of the sum

deducted, or any portion of it that is required to adjust the deductions, must be made to the department or institution.

(f) Any refund to a member under this subdivision that is reasonably determined to cause the plan to fail to be a qualified plan under section 401(a) of the federal Internal Revenue Code, as amended, may not be refunded and instead must be credited against future contributions payable by the employer. The employer receiving the credit is responsible for refunding to the applicable employee any amount that had been erroneously deducted from the person's salary, with interest as specified in paragraph (d).

(g) Notwithstanding the payment of interest on erroneously reported employee contributions provided for under this section, the association may correct plan operational failures by applying the procedures defined in the Internal Revenue Service Employee Plans Compliance Resolution System's Revenue Procedures.

EFFECTIVE DATE. This section applies to any refund issued on or after June 1, 2009.

Sec. 10. Minnesota Statutes 2008, section 353.33, subdivision 1, is amended to read:

Subdivision 1. **Age, service, and salary requirements.** A coordinated or basic member who has at least three years of allowable service and becomes totally and permanently disabled before normal retirement age, ~~and a basic member who has at least three years of allowable service and who becomes totally and permanently disabled,~~ upon application as defined under section 353.031, is entitled to a disability benefit in an amount determined under subdivision 3. If the disabled person's public service has terminated at any time, at least two of the required three years of allowable service must have been rendered after last becoming an active member.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 11. Minnesota Statutes 2008, section 353.33, is amended by adding a subdivision to read:

Subd. 1a. **Benefit restriction.** No person is entitled to receive disability benefits and a retirement annuity at the same time.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 12. Minnesota Statutes 2008, section 353.33, subdivision 11, is amended to read:

Subd. 11. **Coordinated member disabilitant transfer to retirement status.** ~~No person is entitled to receive disability benefits and a retirement annuity at the same time.~~

The disability benefits paid to a coordinated member must terminate when the person reaches normal retirement age. If the coordinated member is still totally and permanently disabled upon attaining normal retirement age, the coordinated member is deemed to be on retirement status. If an optional annuity is elected under subdivision 3a, the coordinated member shall receive an annuity under the terms of the optional annuity previously elected, or, if an optional annuity is not elected under subdivision 3a, the coordinated member may elect to receive a normal retirement annuity under section 353.29 or an annuity equal to the disability benefit paid before the coordinated member reaches normal retirement age, whichever amount is greater, or elect to receive an optional annuity under section 353.30, subdivision 3. The annuity of a disabled coordinated member who attains normal retirement age must be computed under the law in effect upon attainment of normal retirement age. Election of an optional annuity must be made before the coordinated member attains normal retirement age. If an optional annuity is elected, the election is effective on the date on which the person attains normal retirement age and the optional annuity begins to accrue on the first day of the month next following the month in which the person attains that age.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 13. Minnesota Statutes 2008, section 353.33, subdivision 12, is amended to read:

Subd. 12. **Basic ~~disability~~ disability transfer to retirement status; survivor benefits.** (a) If a basic member who is receiving a disability benefit under subdivision 3: ~~(1)~~ dies before attaining age 65 or within five years of the effective date of the disability, whichever is later, the surviving spouse is entitled to receive a survivor benefit under section 353.31, ~~unless~~ and any dependent child or children are entitled to dependent child benefits under section 353.31, subdivision 1b, paragraph (b). If there are no dependent children, in lieu of the survivor benefit specified under section 353.31, the surviving spouse ~~elected~~ may elect to receive a refund under section 353.32, subdivision 1; ~~(2)~~ (b) If a basic member who is receiving a disability benefit under subdivision 3 is living at age 65 or five years after the effective date of the disability, whichever is later, the basic member may ~~continue to~~ receive a normal retirement annuity equal to the disability benefit previously received, adjusted for the amount no longer payable under subdivision 3, paragraph (b), or the person may elect a joint and survivor optional annuity under section 353.31, subdivision 1b. The election of the joint and survivor optional annuity must occur within 90 days of attaining age 65 or of reaching the five-year anniversary of the effective date of the disability benefit, whichever is later. The optional annuity takes effect on the first day of the month following the month in which the person attains

age 65 or reaches the five-year anniversary of the effective date of the disability benefit, whichever is later; ~~or,~~

~~(3) if there is a dependent child or children under clause (1) or (2), the dependent child is entitled to a dependent child benefit under section 353.31, subdivision 1b, paragraph (b).~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 14. Minnesota Statutes 2008, section 353.65, subdivision 2, is amended to read:

Subd. 2. **Employee contribution rate.** ~~(a) The employee contribution is an amount equal to the 9.4 percent of the total salary of the member specified in paragraph (b). This contribution must be made by deduction from salary in the manner provided in subdivision~~ 4. Where any portion of a member's salary is paid from other than public funds, the member's employee contribution is based on the total salary received from all sources.

~~(b) For calendar year 2006, the employee contribution rate is 7.0 percent. For calendar year 2007, the employee contribution rate is 7.8 percent. For calendar year 2008, the employee contribution rate is 8.6 percent. For calendar year 2009 and thereafter, the employee contribution rate is 9.4 percent.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 15. Minnesota Statutes 2008, section 353.65, subdivision 3, is amended to read:

Subd. 3. **Employer contribution rate.** ~~(a) The employer contribution shall be an amount equal to the~~ is 14.1 percent of the total salary of every the member as specified in paragraph (b). This contribution ~~shall~~ must be made from funds available to the employing subdivision by the means and in the manner provided in section 353.28.

~~(b) For calendar year 2006, the employer contribution rate is 10.5 percent. For calendar year 2007, the employer contribution rate is 11.7 percent. For calendar year 2008, the employer contribution rate is 12.9 percent. For calendar year 2009 and thereafter, the employer contribution rate is 14.1 percent.~~

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 16. Minnesota Statutes 2008, section 353A.08, subdivision 6a, is amended to read:

Subd. 6a. **Military service contribution and refund.** A person who was an active member of a local police or firefighters relief association upon its consolidation with the public employees retirement association, and who was otherwise eligible for automatic service credit for military service under Minnesota Statutes 2000, section 423.57, and

who has not elected the type of benefit coverage provided by the public employees police and fire fund at the time of consolidation, must make employee contributions under section 353.01, subdivision 16, paragraph ~~(h)~~ (a), clause (8), to receive allowable service credit from the association for a military service leave after the effective date of the consolidation. A person who later elects, under subdivision 3, to retain benefit coverage under the bylaws of the local relief association is eligible for a refund from the association at the time of retirement. The association shall refund the employee contributions plus interest at the rate of six percent, compounded quarterly, from the date on which contributions were made until the first day of the month in which the refund is paid. The employer shall receive a refund of the employer contributions. The association shall not pay a refund to a person who later elects, under subdivision 3, the type of benefit coverage provided by the public employees police and fire fund or to the person's employer.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 17. Minnesota Statutes 2008, section 354.05, is amended by adding a subdivision to read:

Subd. 41. Annual base salary. (a) "Annual base salary" means:

(1) for an independent school district or educational cooperative, the lowest full-time Bachelor of Arts (BA) base contract salary for the previous fiscal year for that employing unit;

(2) for a charter school, the lowest starting annual salary for a full-time licensed teacher employed during the previous fiscal year for that employing unit; and

(3) for a state agency or professional organization, the lowest starting annual salary for a full-time Teachers Retirement Association covered position for the previous fiscal year for that employing unit.

(b) If there is no previous fiscal year data because an employer unit is new and paragraph (c) does not apply, the annual base salary for the first year of operation will be as stated in paragraph (a), except that the base contract salary for the current fiscal year, rather than the previous fiscal year, must be used.

(c) For a new employer unit created as a result of a merger or consolidation, the annual base salary will be the lowest annual base salary as specified in paragraph (a) for any of the employer units involved in the merger or consolidation.

EFFECTIVE DATE. This section is effective July 1, 2010.

13.1 Sec. 18. Minnesota Statutes 2008, section 354.05, is amended by adding a subdivision
13.2 to read:

13.3 Subd. 42. **Fiscal year.** The fiscal year of the association begins on July 1 of each
13.4 calendar year and ends on June 30 of the following calendar year.

13.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

13.6 Sec. 19. Minnesota Statutes 2008, section 354.091, is amended to read:

13.7 **354.091 SERVICE CREDIT.**

13.8 Subdivision 1. **Definition; monthly base salary.** For purposes of this section,
13.9 "monthly base salary" means the annual base salary, as defined in section 354.05,
13.10 subdivision 41, divided by 12.

13.11 Subd. 2. **Service credit annual limit.** (a) In computing service credit, No teacher
13.12 may receive credit for more than one year of teaching service for any fiscal year.

13.13 ~~Additionally, in crediting allowable service:~~

13.14 ~~(1) if a teacher teaches less than five hours in a day, service credit must be given for~~
13.15 ~~the fractional part of the day as the term of service performed bears to five hours;~~

13.16 ~~(2) if a teacher teaches five or more hours in a day, service credit must be given for~~
13.17 ~~only one day;~~

13.18 ~~(3) if a teacher teaches at least 170 full days in any fiscal year, service credit must be~~
13.19 ~~given for a full year of teaching service; and~~

13.20 ~~(4) if a teacher teaches for only a fractional part of the year, service credit must be~~
13.21 ~~given for such fractional part of the year in the same relationship as the period of service~~
13.22 ~~performed bears to 170 days.~~

13.23 ~~(b) A teacher must receive a full year of service credit based on the number of days~~
13.24 ~~in the employer's full school year if that school year is less than 170 days. Teaching~~
13.25 ~~service performed before July 1, 1961, must be computed under the law in effect at the~~
13.26 ~~time it was performed.~~

13.27 ~~(c) A teacher must not lose or gain retirement service credit as a result of the~~
13.28 ~~employer converting to a flexible or alternate work schedule. If the employer converts~~
13.29 ~~to a flexible or alternate work schedule, the forms for reporting teaching service and the~~
13.30 ~~procedures for determining service credit must be determined by the executive director~~
13.31 ~~with the approval of the board of trustees.~~

13.32 Subd. 3. **Service credit calculation.** (a) Except as specified in subdivisions 4 and
13.33 5, service credit will be calculated monthly by dividing the teacher's monthly salary by

the monthly base salary for the teacher's employing unit and multiplying the result by 11.1 percent.

(b) For purposes of computing service credit, salary will be allocated to each calendar month based on the pay period begin and end dates. If the pay period covers more than one calendar month, the salary must be allocated based on the number of days in each calendar month.

(c) A teacher may not receive more than 11.1 percent of a year's service credit in a calendar month.

(d) Annual service credit is calculated by adding the allowable monthly service credit for all 12 months of the fiscal year with the result rounded to two decimal places, subject to the annual limit specified in subdivision 2.

Subd. 4. Service credit determination for Minnesota State Colleges and Universities system teachers. ~~(d)~~ For all services rendered on or after July 1, 2003, service credit for all members employed by the Minnesota State Colleges and Universities system must be determined:

(1) for full-time employees, by the definition of full-time employment contained in the collective bargaining agreement for those units listed in section 179A.10, subdivision 2, or contained in the applicable personnel or salary plan for those positions designated in section 179A.10, subdivision 1; and

(2) for part-time employees, by the appropriate proration of full-time equivalency based on the provisions contained in the collective bargaining agreement for those units listed in section 179A.10, subdivision 2, or contained in the applicable personnel or salary plan for those positions designated in section 179A.10, subdivision 1, and the applicable procedures of the Minnesota State Colleges and Universities system; and.

~~(3) in no case may a member receive more than one year of service credit for any fiscal year.~~

Subd. 5. Service credit procedure, nontraditional schedules. For employer units that have nontraditional work schedules or pay schedules, the procedure for determining service credit must be approved by the executive director.

EFFECTIVE DATE. This section is effective for teaching service performed after June 30, 2010.

Sec. 20. Minnesota Statutes 2008, section 354.42, subdivision 2, is amended to read:

Subd. 2. Employee contribution. (a) For a basic member, the employee contribution to the fund is an amount equal to the following percentage 9.0 percent of the

15.1 ~~member's salary of a member.~~ For a coordinated member, the employee contribution is
15.2 5.5 percent of the member's salary.

15.3 ~~(1) after July 1, 2006, for a teacher employed by Special School District No. 1,~~
15.4 ~~Minneapolis, 5.5 percent if the teacher is a coordinated member, and 9.0 percent if the~~
15.5 ~~teacher is a basic member;~~

15.6 ~~(2) for every other teacher, after July 1, 2006, 5.5 percent if the teacher is a~~
15.7 ~~coordinated member and 9.0 percent if the teacher is a basic member.~~

15.8 (b) This contribution must be made by deduction from salary. Where any portion
15.9 of a member's salary is paid from other than public funds, the member's employee
15.10 contribution must be based on the entire salary received.

15.11 **EFFECTIVE DATE.** This section is effective the day following final enactment.

15.12 Sec. 21. Minnesota Statutes 2008, section 354.44, subdivision 4, is amended to read:

15.13 Subd. 4. **Retirement annuity accrual date.** (a) An annuity payment begins to
15.14 accrue, provided that the age and service requirements under subdivision 1 are satisfied,
15.15 after the termination of teaching service, or after the application for retirement has been
15.16 filed with the ~~board, whichever is later~~ executive director, as follows:

15.17 (1) on the ~~16th day of~~ after the month of termination ~~or filing if the termination or~~
15.18 ~~filing occurs on or before the 15th day of the month of teaching service;~~

15.19 (2) on the ~~first day of the month following the month of termination or filing if~~
15.20 ~~the termination or filing occurs on or after the 16th day of the month~~ day of receipt of
15.21 application if the application is filed with the executive director after the six-month period
15.22 that occurs immediately following the termination of teaching service;

15.23 (3) on July 1 for all school principals and other administrators who receive a full
15.24 annual contract salary during the fiscal year for performance of a full year's contract
15.25 duties; or

15.26 ~~(4) a later date to be either the first or the 16th day of a month occurring within the~~
15.27 ~~six-month period immediately following the termination of teaching service as specified~~
15.28 ~~under paragraph (b) by the member.~~

15.29 ~~(b) (4)~~ If an application for retirement is filed with the ~~board~~ executive director
15.30 during the six-month period that occurs immediately following the termination of teaching
15.31 service, the annuity may begin to accrue as if the application for retirement had been filed
15.32 with the board on the date teaching service terminated ~~or a later date under paragraph~~
15.33 ~~(a), clause (4).~~

15.34 (b) A member, or a person authorized to act on behalf of the member, may specify a
15.35 different date of retirement from that determined in paragraph (a), as follows:

(1) if the application is filed on or before the date of termination of teaching service, the accrual date may be a date no earlier than the day after the termination of teaching service and no later than six months after the termination date; or

(2) if the application is filed during the six-month period that occurs immediately following the termination of teaching service, the accrual date may begin to accrue retroactively, but no earlier than the day after teaching service terminated and no later than six months after the termination date.

EFFECTIVE DATE. This section is effective January 1, 2010.

Sec. 22. Minnesota Statutes 2008, section 354.44, subdivision 5, is amended to read:

Subd. 5. **Resumption of teaching service after retirement.** (a) Any person who retired under the provisions of this chapter and has thereafter resumed teaching in any employer unit to which this chapter applies is eligible to continue to receive payments in accordance with the annuity except that all or a portion of the annuity payments must be deferred during the calendar year immediately following ~~any calendar~~ the fiscal year in which the person's salary from the teaching service is in an amount greater than \$46,000. The amount of the annuity deferral is one-half of the salary amount in excess of \$46,000 and must be deducted from the annuity payable for the calendar year immediately following the ~~calendar~~ fiscal year in which the excess amount was earned.

(b) If the person is retired for only a fractional part of the ~~calendar~~ fiscal year during the initial year of retirement, the maximum reemployment salary exempt from triggering a deferral as specified in this subdivision must be prorated for that ~~calendar~~ fiscal year.

(c) After a person has reached the Social Security normal retirement age, no deferral requirement is applicable regardless of the amount of salary.

(d) The amount of the retirement annuity deferral must be handled or disposed of as provided in section 356.47.

(e) For the purpose of this subdivision, salary from teaching service includes, but is not limited to:

(1) all income for services performed as a consultant or an independent contractor for an employer unit covered by the provisions of this chapter; and

(2) the greater of either the income received or an amount based on the rate paid with respect to an administrative position, consultant, or independent contractor in an employer unit with approximately the same number of pupils and at the same level as the position occupied by the person who resumes teaching service.

EFFECTIVE DATE. This section is effective January 1, 2010.

Sec. 23. Minnesota Statutes 2008, section 354.47, subdivision 1, is amended to read:

Subdivision 1. **Death before retirement.** (a) If a member dies before retirement and is covered under section 354.44, subdivision 2, and neither an optional annuity, nor a reversionary annuity, nor a benefit under section 354.46, subdivision 1, is payable to the survivors if the member was a basic member, then the surviving spouse, or if there is no surviving spouse, the designated beneficiary is entitled to an amount equal to the member's accumulated deductions with interest credited to the account of the member to the date of death of the member. If the designated beneficiary is a minor, interest must be credited to the date the beneficiary reaches legal age, or the date of receipt, whichever is earlier.

(b) If a member dies before retirement and is covered under section 354.44, subdivision 6, and neither an optional annuity, nor reversionary annuity, nor the benefit described in section 354.46, subdivision 1, is payable to the survivors if the member was a basic member, then the surviving spouse, or if there is no surviving spouse, the designated beneficiary is entitled to an amount equal to the member's accumulated deductions credited to the account of the member as of June 30, 1957, and from July 1, 1957, to the date of death of the member, the member's accumulated deductions plus six percent interest compounded annually.

(c) If the designated beneficiary under paragraph (b) is a minor, any interest credited under that paragraph must be credited to the date the beneficiary reaches legal age, or the date of receipt, whichever is earlier.

(d) The amount of any refund payable under this subdivision must be reduced by any permanent disability payment under section 354.48 received by the member.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 24. Minnesota Statutes 2008, section 354.48, subdivision 4, is amended to read:

Subd. 4. **Determination by executive director.** (a) The executive director shall have the member examined by at least two licensed physicians, licensed chiropractors, or licensed psychologists ~~selected by the medical adviser.~~

(b) These physicians, chiropractors, or psychologists with respect to a mental impairment, shall make written reports to the executive director concerning the member's disability, including expert opinions as to whether or not the member is permanently and totally disabled within the meaning of section 354.05, subdivision 14.

(c) The executive director shall also obtain written certification from the last employer stating whether or not the member was separated from service because of a disability which would reasonably prevent further service to the employer and as a consequence the member is not entitled to compensation from the employer.

(d) If, upon the consideration of the reports of the physicians, chiropractors, or psychologists and any other evidence presented by the member or by others interested therein, the executive director finds that the member is totally and permanently disabled, the executive director shall grant the member a disability benefit.

(e) An employee who is placed on leave of absence without compensation because of disability is not barred from receiving a disability benefit.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 25. Minnesota Statutes 2008, section 354.48, subdivision 6, is amended to read:

Subd. 6. **Regular physical examinations.** At least once each year during the first five years following the allowance of a disability benefit to any member, and at least once in every three-year period thereafter, the executive director ~~shall~~ may require the disability ~~beneficiary~~ recipient to undergo an expert examination by a physician or physicians, by a chiropractor or chiropractors, or by one or more psychologists with respect to a mental impairment, engaged by the executive director. If an examination indicates that the member is no longer permanently and totally disabled or that the member is engaged or is able to engage in a substantial gainful occupation, payments of the disability benefit by the association must be discontinued. The payments must be discontinued as soon as the member is reinstated to the payroll following sick leave, but payment may not be made for more than 60 days after the physicians, the chiropractors, or the psychologists engaged by the executive director find that the person is no longer permanently and totally disabled.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 26. Minnesota Statutes 2008, section 354.49, subdivision 2, is amended to read:

Subd. 2. **Calculation.** (a) Except as provided in section 354.44, subdivision 1, any person who ceases to be a member by reason of termination of teaching service, shall receive a refund in an amount equal to the accumulated deductions credited to the account as of June 30, 1957, and after July 1, 1957, the accumulated deductions with interest at the rate of six percent per annum compounded annually. For the purpose of this subdivision, interest shall be computed on fiscal year end balances to the first day of the month in which the refund is issued.

(b) If the person has received permanent disability payments under section 354.48, the refund amount must be reduced by the amount of those payments.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 27. Minnesota Statutes 2008, section 354.52, subdivision 2a, is amended to read:

Subd. 2a. **Annual Postretirement income reports reporting.** ~~On or before each February 15, a representative authorized by an~~ Each employing unit must report to the executive director the amount of income earned during the previous ~~calendar~~ fiscal year by each retiree for teaching service performed after retirement. This ~~annual report must be~~ shall be done through the payroll reporting system and is based on reemployment income as defined in section 354.44, subdivision 5, and it must be made on a form provided by the executive director. ~~Signing~~ Submitting the report salary data through payroll reporting has the force and effect of an oath as to the correctness of the amount of postretirement reemployment income earned.

EFFECTIVE DATE. This section is effective January 1, 2010.

Sec. 28. Minnesota Statutes 2008, section 354.52, subdivision 4b, is amended to read:

Subd. 4b. **Payroll cycle reporting requirements.** An employing unit shall provide the following data to the association for payroll warrants on an ongoing basis within 14 calendar days after the date of the payroll warrant in a format prescribed by the executive director:

- (1) association member number;
- (2) employer-assigned employee number;
- (3) Social Security number;
- (4) amount of each salary deduction;
- (5) amount of salary as defined in section 354.05, subdivision 35, from which each deduction was made;
- (6) reason for payment;
- (7) ~~service credit;~~
- ~~(8)~~ (8) the beginning and ending dates of the payroll period covered and the date of actual payment;
- ~~(9)~~ (8) fiscal year of salary earnings;
- ~~(10)~~ (9) total remittance amount including employee, employer, and additional employer contributions; ~~and~~
- (10) reemployed annuitant salary under section 354.44, subdivision 5; and
- (11) other information as may be required by the executive director.

EFFECTIVE DATE. This section is effective January 1, 2010, except for the striking of clause (7), which is effective July 1, 2010.

Sec. 29. Minnesota Statutes 2008, section 354.52, is amended by adding a subdivision to read:

Subd. 4d. **Annual base salary reporting.** An employing unit must provide the following data to the association on or before June 30 of each fiscal year:

(1) annual base salary, as defined in section 354.05, subdivision 41; and

(2) beginning and ending dates for the regular school work year.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 30. Minnesota Statutes 2008, section 354.52, subdivision 6, is amended to read:

Subd. 6. **Noncompliance consequences.** (a) An employing unit that does not comply with the reporting requirements under subdivision 2a, 4a, ~~or 4b~~, or 4d, must pay a fine of \$5 per calendar day until the association receives the required data.

(b) If the annual base salary required to be reported under subdivision 4d has not been settled or determined as of June 16, the fine must commence if the annual base salary has not been reported to the association within 14 days following the settlement date.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 31. **[354.543] PRIOR OR UNCREDITED MILITARY SERVICE CREDIT PURCHASE.**

Subdivision 1. **Service credit purchase authorized.** (a) If paragraph (b) does not apply, a teacher who has at least three years of allowable service credit with the Teachers Retirement Association and who performed service in the United States armed forces before becoming a teacher as defined in section 354.05, subdivision 2, or who failed to obtain service credit for a military leave of absence under the provisions of section 354.53, is entitled to purchase allowable and formula service credit for the initial period of enlistment, induction, or call to active duty without any voluntary extension by making payment under section 356.551.

(b) A service credit purchase is prohibited if:

(1) the teacher separated from service with the United States armed forces with a dishonorable or bad conduct discharge or under other than honorable conditions; or

(2) the teacher has purchased or otherwise received service credit from any Minnesota defined benefit public employee pension plan, other than a volunteer fire plan, for the same period of service.

Subd. 2. **Application and documentation.** A teacher who desires to purchase service credit under subdivision 1 must apply with the executive director to make the

purchase. The application must include all necessary documentation of the teacher's qualifications to make the purchase, signed written permission to allow the executive director to request and receive necessary verification of applicable facts and eligibility requirements, and any other relevant information that the executive director may require.

Subd. 3. **Service credit grant.** Allowable and formula service credit for the purchase period must be granted by the Teachers Retirement Association to the purchasing teacher upon receipt of the purchase payment amount. Payment must be made before the teacher's termination of teaching service.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 32. Minnesota Statutes 2008, section 354.55, subdivision 11, is amended to read:

Subd. 11. **Deferred annuity; augmentation.** (a) Any person covered under section 354.44, subdivision 6, who ceases to render teaching service, may leave the person's accumulated deductions in the fund for the purpose of receiving a deferred annuity at retirement. ~~Eligibility for an annuity under this subdivision is governed pursuant to section 354.44, subdivision 1, or 354.60.~~

(b) The amount of the deferred retirement annuity is determined by section 354.44, subdivision 6, and augmented as provided in this subdivision. The required reserves ~~related to that portion of~~ for the annuity which had accrued when the member ceased to render teaching service must be augmented, as further specified in this subdivision, by interest compounded annually from the first day of the month following the month during which the member ceased to render teaching service to the effective date of retirement.

(c) There shall be no augmentation if ~~this~~ the deferral period is less than three months or if ~~this period commences prior to~~ deferral commenced before July 1, 1971. ~~The rates of interest used for this purpose must be five percent compounded annually commencing July 1, 1971, until January 1, 1981, and three percent compounded annually thereafter until January 1 of the year following the year in which the former member attains age 55 and from that date to the effective date of retirement, the rate is five percent compounded annually if the employee became an employee before July 1, 2006, and at 2.5 percent compounded annually if the employee becomes an employee after June 30, 2006.~~

(d) For persons who became covered employees before July 1, 2006, with a deferral period commencing after June 30, 1971, the annuity must be augmented using five percent interest compounded annually until January 1, 1981, and three percent interest compounded annually thereafter until January 1 of the year following the year in which the deferred annuitant attains age 55. From that date to the effective date of retirement, the rate is five percent compounded annually.

(e) For persons who become covered employees after June 30, 2006, the interest rate used to augment the deferred annuity is 2.5 percent interest compounded annually.

(f) If a person has more than one period of uninterrupted service, a separate average salary determined under section 354.44, subdivision 6, must be used for each period and the required reserves related to each period must be augmented by interest pursuant to as specified in this subdivision. The sum of the augmented required reserves so determined shall be the basis for purchasing is the present value of the deferred annuity. For the purposes of this subdivision, "period of uninterrupted service" means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.

(g) If a person repays a refund, the service restored by the repayment must be considered as continuous with the next period of service for which the person has allowable service credit with this fund in the Teachers Retirement Association.

(h) If a person does not render teaching service in any one fiscal year or more consecutive fiscal years and then resumes teaching service, the formula percentages used from the date of the resumption of teaching service must be those applicable to new members.

(i) The mortality table and interest assumption used to compute the annuity must be the applicable mortality table established by the board under section 354.07, subdivision 1, and the interest rate assumption under section 356.215 in effect when the member retires. ~~A period of uninterrupted service for the purposes of this subdivision means a period of covered teaching service during which the member has not been separated from active service for more than one fiscal year.~~

~~(e)~~ (j) In no case shall the annuity payable under this subdivision be less than the amount of annuity payable pursuant to under section 354.44, subdivision 6.

~~(d)~~ (k) The requirements and provisions for retirement before normal retirement age contained in section 354.44, subdivision 6, ~~clause (3) or (5)~~, shall also apply to an employee fulfilling the requirements with a combination of service as provided in section 354.60.

~~(e)~~ (l) The augmentation provided by this subdivision applies to the benefit provided in section 354.46, subdivision 2.

~~(f)~~ (m) The augmentation provided by this subdivision shall not apply to any period in which a person is on an approved leave of absence from an employer unit covered by the provisions of this chapter.

~~(g)~~ (n) The retirement annuity or disability benefit of, or the survivor benefit payable on behalf of, a former teacher who terminated service before July 1, 1997, which is not

first payable until after June 30, 1997, must be increased on an actuarial equivalent basis to reflect the change in the postretirement interest rate actuarial assumption under section 356.215, subdivision 8, from five percent to six percent under a calculation procedure and tables adopted by the board as recommended by an approved actuary and approved by the actuary retained under section 356.214.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 33. Minnesota Statutes 2008, section 354.66, subdivision 3, is amended to read:

Subd. 3. **Part-time teaching position, defined.** (a) For purposes of this section, the term "part-time teaching position" means a teaching position within the district in which the teacher is ~~employed for at least 50 full days or a fractional equivalent thereof as prescribed in section 354.091, and for which the teacher is~~ compensated in for an amount of at least 30 percent, but not exceeding 80 percent of the compensation established by the board for a full-time teacher with identical education and experience with the employing unit.

(b) For a teacher to which subdivision 1c, paragraph (b), applies, the term "part-time teaching position" means a teaching position within the district in which the teacher is ~~employed for at least 25 full days or a fractional equivalent thereof as prescribed in section 354.091, and for which the teacher is~~ compensated in for an amount of at least 15 percent, but not exceeding 40 percent of the compensation established by the board for a full-time teacher, with identical education and experience with the employing unit.

EFFECTIVE DATE. This section is effective for service provided after June 30, 2010.

Sec. 34. Minnesota Statutes 2008, section 354A.096, is amended to read:

354A.096 MEDICAL LEAVE.

Any teacher in the coordinated program of the St. Paul Teachers Retirement Fund Association or the new law coordinated program of the Duluth Teachers Retirement Fund Association who is on an authorized medical leave of absence and subsequently returns to teaching service is entitled to receive allowable service credit, not to exceed one year, for the period of leave, upon making the prescribed payment to the fund. This payment must include the required employee and employer contributions at the rates specified in section 354A.12, subdivisions 1 and ~~2~~ 2a, as applied to the member's average full-time monthly salary rate on the date the leave of absence commenced plus annual interest at the rate of 8.5 percent per year from the end of the fiscal year during which the leave

24.1 terminates to the end of the month during which payment is made. The member must pay
24.2 the total amount required unless the employing unit, at its option, pays the employer
24.3 contributions. The total amount required must be paid by the end of the fiscal year
24.4 following the fiscal year in which the leave of absence terminated or before the member
24.5 retires, whichever is earlier. Payment must be accompanied by a copy of the resolution or
24.6 action of the employing authority granting the leave and the employing authority, upon
24.7 granting the leave, must certify the leave to the association in a manner specified by the
24.8 executive director. A member may not receive more than one year of allowable service
24.9 credit during any fiscal year by making payment under this section. A member may not
24.10 receive disability benefits under section 354A.36 and receive allowable service credit
24.11 under this section for the same period of time.

24.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

24.13 Sec. 35. Minnesota Statutes 2008, section 354A.12, subdivision 2a, is amended to read:

24.14 Subd. 2a. **Employer regular and additional ~~contribution rates~~ contributions.**

24.15 (a) The employing units shall make the following employer contributions to teachers
24.16 retirement fund associations:

24.17 ~~(1) for any coordinated member of a teachers retirement fund association in a city of~~
24.18 ~~the first class, the employing unit shall pay the employer Social Security taxes;~~

24.19 ~~(2)~~ for any coordinated member of one of the following teachers retirement fund
24.20 associations in a city of the first class, the employing unit shall make a regular employer
24.21 contribution to the respective retirement fund association in an amount equal to the
24.22 designated percentage of the salary of the coordinated member as provided below:

24.23	Duluth Teachers Retirement	
24.24	Fund Association	4.50 percent
24.25	St. Paul Teachers Retirement	
24.26	Fund Association	4.50 percent

24.27 ~~(3)~~ (2) for any basic member of the St. Paul Teachers Retirement Fund Association,
24.28 the employing unit shall make a regular employer contribution to the respective retirement
24.29 fund in an amount equal to 8.00 percent of the salary of the basic member;

24.30 ~~(4)~~ (3) for a basic member of the St. Paul Teachers Retirement Fund Association, the
24.31 employing unit shall make an additional employer contribution to the respective fund in
24.32 an amount equal to 3.64 percent of the salary of the basic member;

24.33 ~~(5)~~ (4) for a coordinated member of a teachers retirement fund association in a city
24.34 of the first class, the employing unit shall make an additional employer contribution to

25.1 the respective fund in an amount equal to the applicable percentage of the coordinated
25.2 member's salary, as provided below:

25.3	Duluth Teachers Retirement	
25.4	Fund Association	1.29 percent
25.5	St. Paul Teachers Retirement	
25.6	Fund Association	<u>3.84 percent</u>
25.7	July 1, 1993 - June 30, 1994	0.50 percent
25.8	July 1, 1994 - June 30, 1995	1.50 percent
25.9	July 1, 1997, and thereafter	3.84 percent

25.10 (b) The regular and additional employer contributions must be remitted directly to
25.11 the respective teachers retirement fund association at least once each month. Delinquent
25.12 amounts are payable with interest under the procedure in subdivision 1a.

25.13 (c) Payments of regular and additional employer contributions for school district
25.14 or technical college employees who are paid from normal operating funds must be made
25.15 from the appropriate fund of the district or technical college.

25.16 **EFFECTIVE DATE.** This section is effective the day following final enactment.

25.17 Sec. 36. Minnesota Statutes 2008, section 354A.12, is amended by adding a
25.18 subdivision to read:

25.19 **Subd. 6. Erroneous salary deductions or direct payments.** (a) Deductions taken
25.20 from the salary of an employee for the retirement fund in error must be refunded to the
25.21 employee upon the discovery of the error and after the verification of the error by the
25.22 employing unit making the deduction. The corresponding employer contribution and
25.23 additional employer contribution amounts attributable to the erroneous salary deduction
25.24 must be refunded to the employing unit.

25.25 (b) If salary deductions and employer contributions were erroneously transmitted
25.26 to the retirement fund and should have been transmitted to another Minnesota public
25.27 pension plan, the executive director must transfer these salary deductions and employer
25.28 contributions to the appropriate public pension fund without interest. For purposes of this
25.29 paragraph, a "Minnesota public pension plan" means a plan specified in section 356.30,
25.30 subdivision 3, or the plan governed by chapter 354B.

25.31 (c) A potential transfer under paragraph (b) that would cause the plan to fail to be a
25.32 qualified plan under section 401(a) of the Internal Revenue Code, as amended, must not
25.33 be made by the executive director. Within 30 days after being notified by the executive
25.34 director of the appropriate teachers retirement fund association of an unmade potential
25.35 transfer under this paragraph, the employer of the affected person must transmit an
25.36 amount representing the applicable salary deductions and employer contributions, without

interest, to the retirement fund of the appropriate Minnesota public pension plan fund.
The retirement association must provide a credit for the amount of the erroneous salary deductions and employer contributions against future contributions from the employer.

(d) Erroneous direct payments of member-paid contributions or erroneous salary deductions that were not refunded during the regular payroll cycle processing must be refunded to the member, plus interest computed using the rate and method specified in section 354A.37, subdivision 3.

(e) Any refund under this subdivision that would cause the plan to fail to be a qualified plan under section 401(a) of the Internal Revenue Code, as amended, may not be refunded and instead must be credited against future contributions payable by the employer. The employer is responsible for refunding to the applicable employee any amount that was erroneously deducted from the salary of the employee, with interest as specified in paragraph (d).

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 37. Minnesota Statutes 2008, section 354A.36, subdivision 6, is amended to read:

Subd. 6. **Requirement for regular physical examinations.** At least once each year during the first five years following the granting of a disability benefit to a coordinated member by the board and at least once in every three year period thereafter, the board ~~shall~~ may require the disability benefit recipient to undergo an expert examination as a condition for continued entitlement of the benefit recipient to receive a disability benefit. If the board requires an examination, the expert examination must be made at the place of residence of the disability benefit recipient or at any other place mutually agreeable to the disability benefit recipient and the board. The expert examination must be made by a physician or physicians, by a chiropractor or chiropractors, or by one or more psychologists engaged by the board. The physician or physicians, the chiropractor or chiropractors, or the psychologist or psychologists with respect to a mental impairment, conducting the expert examination shall make a written report to the board concerning the disability benefit recipient and the recipient's disability, including a statement of the expert opinion of the physician, chiropractor, or psychologist as to whether or not the member remains permanently and totally disabled within the meaning of section 354A.011, subdivision 14. If the board determines from consideration of the written expert examination report of the physician, of the chiropractor, or of the psychologist, with respect to a mental impairment, that the disability benefit recipient is no longer permanently and totally disabled or if the board determines that the benefit recipient is engaged or is able to engage in a gainful occupation, unless the disability benefit recipient is partially employed

under subdivision 7, then further disability benefit payments from the fund must be discontinued. The discontinuation of disability benefits must occur immediately if the disability recipient is reinstated to the district payroll following sick leave and within 60 days of the determination by the board following the expert examination and report of the physician or physicians, chiropractor or chiropractors, or psychologist or psychologists engaged by the board that the disability benefit recipient is no longer permanently and totally disabled within the meaning of section 354A.011, subdivision 14.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 38. Minnesota Statutes 2008, section 356.401, subdivision 2, is amended to read:

Subd. 2. **Automatic deposits.** (a) The chief administrative officer of a covered retirement plan may remit, through an automatic deposit system, annuity, benefit, or refund payments only to a financial institution associated with the National Automated Clearinghouse Association or a comparable successor organization that is trustee for a person who is eligible to receive the annuity, benefit, or refund.

(b) Upon the request of a retiree, disabilitant, survivor, or former member, the chief administrative officer of a covered retirement plan may remit the annuity, benefit, or refund ~~check payment~~ to the applicable financial institution for deposit in the person's individual account or the person's joint account. If an overpayment of benefits is paid after the death of the annuitant or benefit recipient, the chief administrative officer of the pension plan is authorized to issue an administrative subpoena consistent with the requirements of section 13A.02, requiring the applicable financial institution to disclose the names of all joint and co-owners of the account and a description of all deposits to, and withdrawals from, the account which take place on or after the death of the annuitant or benefit recipient. An overpayment to a joint account after the death of the annuitant or benefit recipient must be repaid to the fund of the applicable covered retirement plan by the joint tenant if the overpayment is not repaid to that fund by the financial institution associated with the National Automated Clearinghouse Association or its successor. The governing board of the covered retirement plan may prescribe the conditions under which these payments may be made.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 39. Minnesota Statutes 2008, section 356.465, subdivision 1, is amended to read:

Subdivision 1. **Inclusion as recipient.** ~~Notwithstanding any provision to the contrary of the laws, articles of incorporation, or bylaws governing a covered retirement~~

28.1 ~~plan specified in subdivision 3,~~ A retiring member may designate a qualified supplemental
28.2 needs trust under subdivision 2 as the remainder recipient on an optional retirement
28.3 annuity form for a period not to exceed the lifetime of the beneficiary of the supplemental
28.4 needs trust.

28.5 **EFFECTIVE DATE.** This section is effective the day following final enactment.

28.6 Sec. 40. Minnesota Statutes 2008, section 356.465, is amended by adding a subdivision
28.7 to read:

28.8 Subd. 4. **Expanded eligibility.** (a) Notwithstanding subdivision 1, for a retirement
28.9 plan specified in paragraph (b), a designation under subdivision 1 may be made by an
28.10 active, disabled, deferred, or retiring member.

28.11 (b) The applicable plan is the Teachers Retirement Association.

28.12 **EFFECTIVE DATE.** This section is effective the day following final enactment.

28.13 Sec. 41. Minnesota Statutes 2008, section 356.611, subdivision 3, is amended to read:

28.14 Subd. 3. **Maximum benefit limitations.** A member's annual benefit, if necessary,
28.15 must be reduced to the extent required by section 415(b) of the Internal Revenue Code,
28.16 as adjusted by the United States secretary of the treasury under section 415(d) of the
28.17 Internal Revenue Code for any applicable increases in the cost of living after the member's
28.18 termination of employment. For purposes of section 415 of the Internal Revenue Code, the
28.19 limitation year of a pension plan covered by this section must be the fiscal year or calendar
28.20 year of that plan, whichever is applicable. ~~The accrued benefit limitation described in~~
28.21 ~~section 415(e) of the Internal Revenue Code must cease to be effective for limitation~~
28.22 ~~years beginning after December 31, 1999.~~

28.23 **EFFECTIVE DATE.** This section is effective July 1, 2009.

28.24 Sec. 42. Minnesota Statutes 2008, section 356.611, subdivision 4, is amended to read:

28.25 Subd. 4. **Compensation.** (a) For purposes of this section, compensation means a
28.26 member's compensation actually paid or made available for any limitation year ~~determined~~
28.27 ~~as provided by~~ including items described in treasury regulation section ~~1.415-2(d)(10)~~
28.28 1.415-2(d)(2) and excluding items described in treasury regulation section 1.415-2(d)(3).

28.29 (b) Compensation for any period includes:

28.30 (1) any elective deferral as defined in section 402(g)(3) of the Internal Revenue Code;

28.31 (2) any elective amounts that are not includable in a member's gross income by
28.32 reason of sections 125 or 457 of the Internal Revenue Code; and

29.1 (3) any elective amounts that are not includable in a member's gross income by
29.2 reason of section 132(f)(4) of the Internal Revenue Code.

29.3 **EFFECTIVE DATE.** This section is effective July 1, 2009.

29.4 Sec. 43. Minnesota Statutes 2008, section 356.635, subdivision 6, is amended to read:

29.5 Subd. 6. **Eligible retirement plan.** (a) An "eligible retirement plan" is:

29.6 (1) an individual retirement account under section 408(a) of the Internal Revenue
29.7 Code;

29.8 (2) an individual retirement annuity plan under section 408(b) of the Internal
29.9 Revenue Code;

29.10 (3) an annuity plan under section 403(a) of the Internal Revenue Code;

29.11 (4) a qualified trust plan under section 401(a) of the Internal Revenue Code that
29.12 accepts the distributee's eligible rollover distribution;

29.13 (5) an annuity contract under section 403(b) of the Internal Revenue Code; ~~or~~

29.14 (6) an eligible deferred compensation plan under section 457(b) of the Internal
29.15 Revenue Code, which is maintained by a state or local government and which agrees to
29.16 separately account for the amounts transferred into the plan; or

29.17 (7) in the case of an eligible rollover distribution to a nonspousal beneficiary, an
29.18 individual account or annuity treated as an inherited individual retirement account under
29.19 section 402(c)(11) of the Internal Revenue Code.

29.20 (b) For distributions of after-tax contributions which are not includable in gross
29.21 income, the after-tax portion may be transferred only to an individual retirement account
29.22 or annuity described in section 408(a) or (b) of the Internal Revenue Code, or to a qualified
29.23 defined contribution plan described in either section 401(a) or 403(a) of the Internal
29.24 Revenue Code, that agrees to separately account for the amounts transferred, including
29.25 separately accounting for the portion of the distribution which is includable in gross
29.26 income and the portion of the distribution which is not includable.

29.27 **EFFECTIVE DATE.** This section is effective July 1, 2009.

29.28 Sec. 44. Minnesota Statutes 2008, section 356.635, subdivision 7, is amended to read:

29.29 Subd. 7. **Distributee.** A "distributee" is:

29.30 (1) an employee or a former employee;

29.31 (2) the surviving spouse of an employee or former employee; ~~or~~

29.32 (3) the former spouse of the employee or former employee who is the alternate payee
29.33 under a qualified domestic relations order as defined in section 414(p) of the Internal

Revenue Code, or who is a recipient of a court-ordered equitable distribution of marital property, as provided in section 518.58; or

(4) a nonspousal beneficiary of an employee or former employee who qualifies for a distribution under the plan and is a designated beneficiary as defined in section 401(a)(9)(E) of the Internal Revenue Code.

EFFECTIVE DATE. This section is effective July 1, 2009.

Sec. 45. Minnesota Statutes 2008, section 356.96, subdivision 5, is amended to read:

Subd. 5. **Petition for review.** (a) A person who claims a right under subdivision 2 may petition for a review of that decision by the governing board of the covered pension plan.

(b) A petition under this section must be sent to the chief administrative officer by mail and must be postmarked no later than 60 days after the person received the notice required by subdivision 3. The petition must include the person's statement of the reason or reasons that the person believes the decision of the chief administrative officer should be reversed or modified. The petition may include all documentation and written materials that the petitioner deems to be relevant. In developing a record for review by the board when a decision is appealed, the executive director may direct that the applicant participate in a fact-finding session conducted by an administrative law judge assigned by the Office of Administrative Hearings and, as applicable, a vocational assessment conducted by a qualified rehabilitation counselor on contract with the applicable retirement system.

EFFECTIVE DATE. This section is effective the day following final enactment.

Sec. 46. **REPEALER.**

Minnesota Statutes 2008, sections 354.06, subdivision 6; and 354.55, subdivision 14, are repealed.

EFFECTIVE DATE. This section is effective the day following final enactment.